



**Washington State
Investment Board**

Public Equity Program External Manager Opportunities 2013





Outline



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- ▣ **WSIB Public Equity Program**
- ▣ **External Public Equity Manager Investment Process**
- ▣ **Process for Contacting the WSIB**



WSIB Overview

Plans and Assets



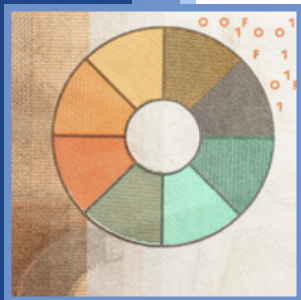
WSIB managed a total of approximately \$80 billion as of year-end 2012 for a variety of funds for the state of Washington including:

Defined Benefit Plans:	\$59 billion
Defined Contribution and Savings plans:	\$5.7 billion
Labor & Industries' Funds:	\$13 billion
Guaranteed Education Tuition Fund:	\$1.8 billion



WSIB Overview

Asset Mix



**Asset allocation targets in the
Commingled Trust Fund (CTF)
(defined benefit fund)**

Public Equity	37%
Fixed Income	20%
Private Equity	25%
Real Estate	13%
Tangible Assets	5%

The defined benefit fund has a 43% allocation to illiquid asset classes.

In 2011, the defined contribution investment options were revised to provide members with a streamlined, simplified menu of options.

Each of the other funds has a customized asset mix.



WSIB Public Equity Program

Assets and Staff



Assets

Public equity oversees approximately \$33 billion as of Sept 30, 2012

- ▣ \$23.7 billion of public equity in the CTF defined benefit fund (including CTF assets in the hybrid DB/DC plan)
- ▣ \$7.5 billion in Plan 3/DCP/JRA defined contribution programs separate from the CTF
- ▣ \$1.7 billion of public equity in L&I
- ▣ \$1.3 billion of public equity in GET
- ▣ Multiple accounts for other permanent, endowment, and school funds

57 accounts with 16 managers

Staff

Four investment professionals have direct oversight of WSIB's public equity program.



WSIB Public Equity Program

Role and Structure



The defined benefit plan has a target allocation of 43% to illiquid private markets investments. Therefore, criteria for public equity within this fund include:

- ❑ Broad, inexpensive asset class exposure.
- ❑ All strategies must be transparent and liquid.
- ❑ Active management may be adopted where WSIB can efficiently and effectively identify and monitor best in class managers in less efficient segments of the market.

Given the asset mix, governance structure, and WSIB's limited resources, the Board has adopted the following structures.

- ❑ Defined benefit public equity structure:
 - ❑ Passive U.S. equity
 - ❑ Passive non-U.S. equity
 - ❑ Active global equity managers
 - ❑ Active emerging markets equity managers
- ❑ The stand-alone equity options in defined contribution menu are passive.
- ❑ All equity-only mandates in other plans are currently passive.



WSIB Public Equity Program

2013 Initiatives and Opportunities



Alternative passive mandates

Staff will continue research into alternatives to market-capitalization weighted indices including research into “fundamental” or “value-weighted” indices and into “low volatility” index construction.

Global equity active mandates

A portfolio of global equity managers was hired in early 2011 and funded in the second quarter of 2011. Staff continues to monitor the market for strategies and to consider those which may be useful additions in the future.

Emerging markets active equity mandates

A portfolio of emerging markets equity managers are in place, but staff continues to monitor the market for strategies and to consider those which may be useful additions to the program or potential replacements for existing managers. Searches may be announced during 2013.



WSIB Public Equity Program

2013 Initiatives and Opportunities – Continued



Defined contribution mandates

Staff will continue to research improvements to its open architecture target date funds. This may include conducting searches for the international equity component(s) and will include research into innovative ways to construct a more robust asset mix which may include alternatives within a target date strategy.

Other research

Staff will continue research into the question of where active management is most effective.



WSIB Public Equity Program

2013 Initiatives and Opportunities – Continued



WSIB may or may not hire or change any public equity managers in 2013. Any decisions will be the outcome of staff research followed by Board approval. However, any review of managers or research into potential managers will include a screening of the eVestment Alliance database for candidates.

WSIB has no interest at this time in any U.S.-only active equity strategies, nor any equity strategies with liquidity restrictions (lock-ups, gates, 90-day notice periods, etc.)

This document will be amended as needed to reflect current status and to give public notice of any changes.



Current Public Equity Manager Investment Process



- ❑ Each year, staff presents the Public Equity Annual Plan to the Public Markets Committee and then to the full Board for approval.
- ❑ WSIB will publicly advertise in Pensions and Investments that managers may refer to this document on our website to stay current on strategies that are being researched. All interested managers are instructed to submit their information to a public database (currently eVestment Alliance).
- ❑ WSIB staff will conduct its monitoring and research using internal resources, eVestment Alliance, consultants, and/or any other resources that are appropriate.
- ❑ Should staff identify appropriate and beneficial strategies, due diligence will be conducted.
- ❑ Any recommended strategies or managers must be approved by the Public Markets Committee and the full WSIB Board of Trustees.
- ❑ Upon approval, hiring is subject to negotiation of a contract with acceptable terms, conditions, and fees.



Process for Interested Public Equity Managers



Prospective managers must:

- ❑ Offer one of the strategies currently under consideration by the WSIB (i.e., active global equity, active emerging markets equity, passive management, and/or passive strategies that use alternatives to traditional market cap weightings).
- ❑ Subject strategy must be transparent and liquid at all times.
- ❑ The manager is responsible for ensuring that the profile and data on the subject strategy in the eVestment Alliance database is **complete**, accurate, and up-to-date.
- ❑ There is no charge for any interested manager to be listed in eVestment Alliance. For any questions or for assistance, please contact Paul Loudon, 678-569-1465 or paul@evestment.com.



Process for Contacting the WSIB



- ❑ WSIB staff regularly review s eVestment Alliance. Managers do not need to contact the WSIB as long as they are listed in the database, which is open and free to all potential candidates.
- ❑ Preferential consideration will not be given to managers that contact the WSIB.
- ❑ Any contact with the WSIB should be sent via email to SIBDLPublicEquity@sib.wa.gov.
- ❑ If you will be in Washington State and are requesting a meeting:
 - ❑ All requirements on the previous page must be met.
 - ❑ The email requesting the meeting should clearly lay out:
 - ❑ proposed date and time;
 - ❑ proposed agenda;
 - ❑ a sample presentation from your firm; and
 - ❑ brief bios of each person who will be attending the proposed meeting.
 - ❑ While staff tries to maintain an open-door policy, meetings will be prioritized based on workload, applicability to current initiatives, and evaluation of the manager's information in the eVestment Alliance database.